

Mayor's Report No: 1201-05-2015

Final Medium Term Revenue and Expenditure Framework (MTREF) budget for 2015/16, 2016/17 to 2017/18 Financial Years.

Reporting Flow:

Executive Committee

Council

1. Purpose

The purpose of the report is to request EXCO and Council to approve the annual budget for 2015/2016 to 2017/18 Medium Term Revenue and Expenditure Framework (MTREF), as well as budget related policies and tariffs.

2. Background

In term of Section 24 of the Municipal Finance Management Act (MFMA) No. 56 of 2003 , the council of the municipality must for each year approve an annual budget for the municipality before the start of the financial year.

Sub section (2) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

3. Discussions

Detail budget report is attached with all budget related documents, that includes National Treasury Schedules , Quality Certificate, Tariffs and Budget related policies.

4. Budget Resolutions

4.1 That EXCO and Council note the report

4.2 That EXCO and Council approved the Final Budget 2015/16 to 2017/18 financial years.

4.3 That EXCO and Council approve tariffs for 2015/16 financial year , attached as Annexure B, be approved for public comments

4.4 That EXCO and Council approve the following budget related policies, attached as Annexure C, which includes the following:

4.1 Credit control and Debt Collection policy,- C1

4.2 Indigent and Free basic Policy -C.2

4.3 Reviewed Rates Policy, -C3

4.5 Quality Certificate that support the budget of 2014/15 financial, Annexure D

EXCO RECOMMENDATIONS

1. As recommended

COUNCIL RESOLUTION:

1. As recommended by Exco
2. That the 2015/2016 Final Budget be align with the 2015/2016 Final Budget

MORETELE LOCAL MUNICIPALITY



ANNUAL BUDGET 2015/16-2017/18

ANNUAL BUDGET FOR 2015/16 TO 2017/18 MEDIUM TERM EXPENDITURE FRAMEWORK

1. LEGISLATIVE COMPLIANCE

In compliance with section 24(1)(a) of the MFMA, the annual budget must be approved before the start of the budget year to ensure that revised IDP is funded.

1.2 Budget summary

Municipality applied the guideline provided by National Treasury on Circular 74 . It has considered cost cutting measures to ensure that service delivery and payments of services will be improved by this budget. Consideration has been made to ensure that non-essential expenditure is avoided. Given the precarious cash flow position of the municipality and low growth on municipal revenues there was the urgent need to prioritize projects and expenditure within the realistically anticipated resources.

1.3 Consultation on draft budget preparation

Budget Lekgotla was also held on 17-19th of April 2015 at the Belabela Lodge to provide an opportunity to EXCO and Management to provide inputs on the mid term review of 2014/15 tabled budget, address draft budget inputs and 2015/16 medium term expenditure framework preparations. The Lekgotla took drastic resolutions which also inform this annual budget.

1.4 Overview of the budget process, the alignment of the annual budget with the IDP.

It must be noted that the integrated development plan has been reviewed and this process has allowed the municipality to re- examine its plans and strategies that inform the institutional, financial, infrastructure planning as well as local economic development through the entire budget process.

A ward based approach has been adopted to ensure that these limited resources are spread amongst the municipality. Most projects are multi year projects, and this has

assisted municipality to fast track spending in previous financial year and even the current year.

1.5 Key factors which influenced the budget are as follows:

National Treasury MFMA Circulars 74 was used to guide the compilation of the municipality's budget and medium term revenue and expenditure framework (MTREF) for the 2015/2015 financial year. The budget had to demonstrate cost containment

The Division of Revenue bill which contains the grants and subsidies from National is the only gazette included in this draft annual budget.

The need to fill critical positions in the organogram to reduce reliance on consultants. The council will adopt the lekgotla resolutions, which had outlined key priority list of positions that has to be budgeted in 2015/16 budget.

Increases in tariff and property rates should be affordable in comparison with the inflation rate but the increases are to be cost-reflective in cases where the increases in input costs are beyond the control of the municipality, for example, the cost of bulk water. However tariffs are not cost reflective, if they were reflective the debtors book would be worse than it is now as there is there a non-payment culture.

Provincial Treasury Comments

They agreed to the Credibility of the municipality's budget, however PT believes it is not sustainable as we are unable to collect from most of our debtors and our tariffs are not cost reflective, should we not receive any grant from the Division of Revenue the municipality will be able to sustain itself.

1.6 Budget Assumptions

- Salary budget is projected on an increase of 5.8% for municipal staff and councilors for the 2015/16 financial year, (average CPI of 5.8%).
- Bulk purchase is reduced from R47 million to R40 million this is as a result of City of Tshwane's inability to supply sufficient water and the municipality will develop their own plant of purifying water from the nearby dam to supply its community.

- Increases on revenue income is between 3% to 5%.
- Eskom cost on consumption and free basic is projected on 12.2%

1.7 Provincial Treasury Comments on MID-TERM Performance.

Provincial Treasury inputs on mid term performance of 2014/15 financial year was considered, especially on cost containment measures on overtime and travelling and subsistence. Internal control measures will be improved such as attendance registers to support claims not issuing only invitations.

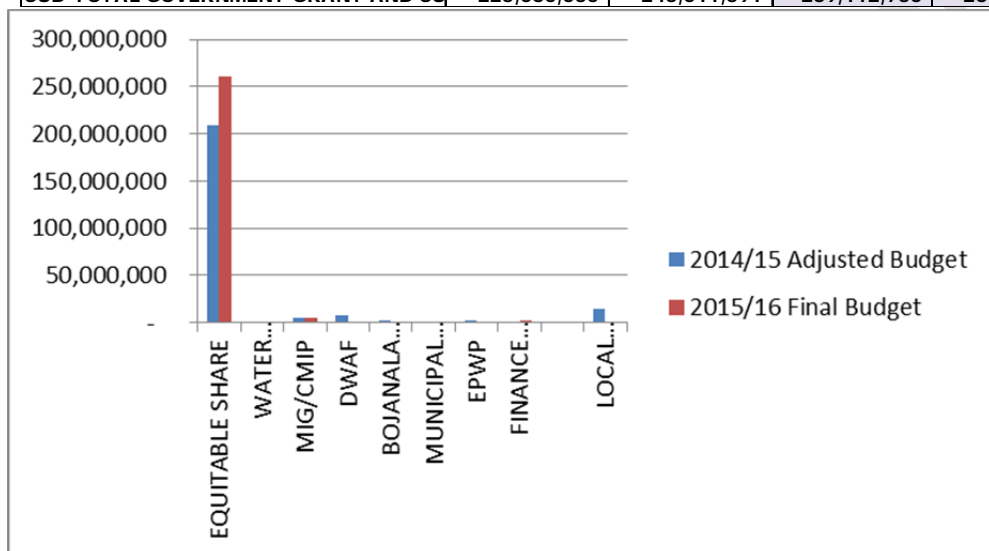
Reduce use of consultants by implementing 60% work done in-house and outsourcing 40% to ensure skill transfer.

2. Operational and Capital Revenue

Moretele municipality is still dependent on grants as a major contributor of revenue. The Gazetted Revenue Bill, has confirmed the following transfers to the municipality: The operating revenue grants is R269 million for 2015/16 funded by transfers from National Departments. The Provincial Bill was not yet issued for municipality to know its allocation for 2015/16, however there was a letter of confirmation for Library Grant of R350,000. The following paragraphs, summarized the projected revenue to be received in 2015/16 financial years:

2.1 Grants and Subsidies- Operational Transfer

	2014/2015	2014/15	2015/2016	2016/2017	2017/2018
Description	Final	2014/14 Adjusted Budget	2015/16 Final Budget	2016/17 Draft Budget	2017/178Draft Budget
EQUITABLE SHARE	-209,553,000	-209,553,000	-260,987,000	-260,987,000	-295,462,339
WATER OPERATIONAL SUBSIDY	-	-	-	-	-
MIG/CMIP	-4,977,050	-4,977,050	-5,170,750	-5,170,750	-5,853,785
DWAF	-	-8,051,541	-	-	-
BOJANALA PLATINUM DISTRICT MUNICIPALIT	-	-2,000,000	-	-	-
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	-934,000	-934,000	-930,000	-930,000	-1,052,849
EPWP	-2,546,000	-2,546,000	-	-	-
FINANCE MANAGEMENT GRANT	-1,600,000	-1,600,000	-1,675,000	-1,675,000	-1,896,261
SPORT, ART AND CULTURE	-350,000	-350,000	-350,000	-350,000	-396,234
ROLL-OVER GRANTS	-	-15,000,000	-	-	-
LGSETA	-5,100,000	-	-	-	-
SUB-TOTAL GOVERNMENT GRANT AND SU	-225,060,050	-245,011,591	-269,112,750	-269,112,750	-304,661,468



■ Equitable Share

In terms of the Division of Revenue Bill the Equitable Share increases from R209, 5-million in 2014/2015 to R260,9-million for the 2015/2016 financial year and is projected to increase to R269,2-million in the 2017/2018 financial year. Equitable share contributes 97% of the total operation grants

■ Finance Management Grant (FMG)

FMG has increased from R1, 6 million in 2014/15 financial year to R1,675 million, and will increased to R1,810 million in 2016/17 and R2,145 million in 2017/18. This grant is meant to provide capacity in Budget and Treasury Office

by appointing five Interns and other programmes such as addressing audit findings, training and capacity development.

■ **Municipal System Improvement Grant (MSIG)**

MSIG has decreased from R934m in 2014/15 financial year to R930 thousand, and to be increased to R957 thousand in 2016/17 and R1, 033 million in 2017/18. This decrease was highlighted in Circular 74 of MFMA that some conditional grants will be decreased in 2015/16 financial year.

2.2 Grants and Subsidies- Capital Transfers

Total grants for 2015/16 is R 112, million inclusive of all listed below grants:

● **Municipal Infrastructure Grant**

Capital transfers increase from R98-million to R102 million

● **Expanded Public Works Programme**

R3, 353 million is allocated for EPWP, which has increased from R2,546 million for labour intensive projects.

● **Department of Water Affairs**

DWA allocation has increased from R10 million in 2014/15 to R10,178 in 2015/16.

● **Integrated National Electrification Programme Grant**

The Bill reflect an amount R7 million in 2016/17 and R10m for 2017/18 and the Municipality is not an licence, so allocation is not accommodated in the budget until clarity is sorted from Treasury.

2.3 Trading services- Water and Refuse

USER / LEVIED CHARGES	Final	2014/15 Adjusted Budget	2015/16 Adjusted Budget	2016/17 Adjusted Budget	2017/18 Adjusted Budget
CHARGES : RATES AND TAXES	-21,233,485	-31,151,809	-35,011,123	-35,011,123	-39,635,952
CHARGES : REFUSE REMOVAL	-10,287,200	-10,287,200	-16,660,740	-16,660,740	-18,861,557
CHARGES : WATER SALES	-5,805,319	-5,805,319	-1,540,800	-1,540,800	-1,744,334
CHARGES : WATER BASIC	-12,975,477	-12,975,477	-23,576,782	-23,576,782	-26,691,181
CHARGES : YARD CONNECTIONS	-12,959	-12,959	-13,684	-13,684	-15,492
SUB-TOTAL USER / LEVIED CHARGES	-50,314,440	-60,232,763	-76,803,129	-76,803,129	-86,948,515

It should be noted that property tax is not levied to cover the cost of water, or refuse removal services, but property rates is a tax to provide the municipality with the necessary sources of revenue to fulfil its developmental responsibilities. Local government as a sphere of government is dependent on tax as a form of main revenue which fund services such as community facilities and traffic control, fire services, town planning matters and development, cemeteries and roads etc.

As highlighted in Back to Basic Approach that “The viability of certain municipalities is a key concern . The low rate of collection of revenue continues to undermine the ability of municipalities to deliver services to communities. The collection for Moretele Municipality is still below 20%. The following projection are listed below

■ Rates

Property Rates increased from R31 million to R35 million or by 12 per cent, the increase is attributed to the CPI, the municipality is required to indicate whether they have updated the valuation roll in order to gauge the development in the area. The collection rate is 131% for 2013/14. Other new properties added to the increase are the new hospital next to the municipal building and the police station in Mmotle

■ Water and Refuse

Water and Refuse removal anticipated revenue on services charges from water has been increased from 29,068 to 41,778 million with increase of % when compared with 2014/15 budget year, collection rate on this services is still below 10%, but provision is made for debt impairment. The proposed strategy is to apply flat rate on 70% of areas which does not have water within

Moretele. Metering will be read only on areas that have water supply, even if is not seven days per week.

There municipality will have revenue summit to come up with strategies to improve revenue collection in order to ensure that they deliver services in more efficient manner.

2.4 Rental of facilities

Rental of halls, municipal building such as office at MPCC is projected at R79 thousand, increased from R75 thousand in 2014/15 financial year. Service level agreement with SASA is about to be finalized for pension pay outs.

2.5 Interest on Investments

The projected interest on investment has been projected to grow from R8.7 million to R9,2 Million in 2015/16 financial year. The projected growth is based on cash flow management that will put in place to ensure that funds to readily needed are preserved in interest accrued accounts. R3,9 million is interests on investments and R5,3 is investments on outstanding debt.

Projected investment amount to R12 million as at the end of the 2014/15 budget year, anticipated SARS VAT refund is estimated at R17 million will also be invested as internal funding for building and other internally funded capital.

2.6 Other Revenue

■ Tender documents and data base registrations

The projected revenue for other revenue is projected to be R475 thousand, with a projected increase of 5.6%.

Operating Surplus

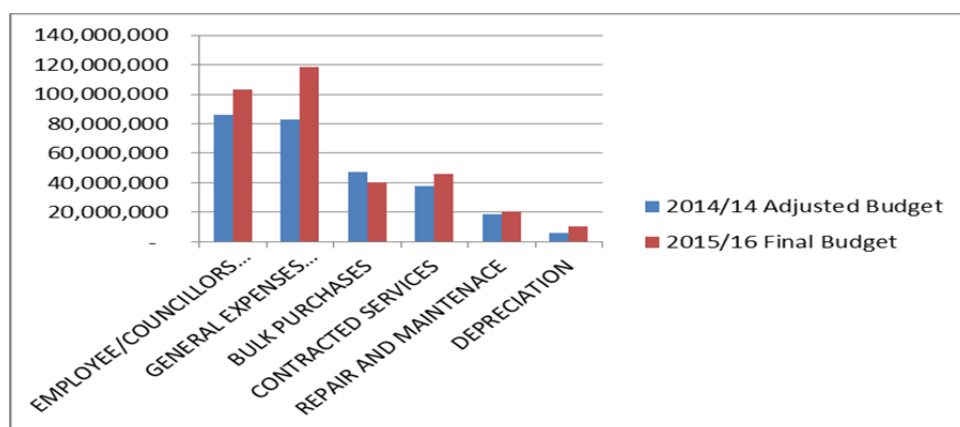
	Final	2014/15 Adjusted Budget	2015/16 Adjusted Budget	2016/17 Adjusted Budget	2017/18 Adjusted Budget
TOTAL EXPENDITURE	279,961,584	285,373,548	340,611,517	347,975,145	380,666,350
TOTAL OPERATING INCOME	-296,427,868	-314,753,872	-355,957,932	-355,957,932	-402,978,550
	-16,466,284	-29,380,324	-15,346,415	-7,982,786	-22,312,201

NW371 Moretele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source										
Property rates	2	2,459	3,807	19,247	21,233	31,152	-	35,011	37,252	39,636
Property rates - penalties & collection charges										
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	18,386	16,106	15,774	18,781	18,781	-	25,118	26,725	28,436
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	-	3,075	9,188	10,287	10,287	-	16,661	17,727	18,862
Service charges - other										
Rental of facilities and equipment		22	102	71	95	95		100	100	114
Interest earned - external investments		714	1,901	2,083	3,704	3,704		3,911	3,911	4,428
Interest earned - outstanding debtors		8,426	3,404	4,547	5,038	5,038		5,320	5,320	6,022
Dividends received										
Fines										
Licences and permits										
Agency services										
Transfers recognised - operational		137,224	153,616	177,267	225,060	231,916		269,113	286,336	304,661
Other revenue	2	587	2,430	1,669	12,230	686	-	725	736	821
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)		167,818	184,439	229,847	296,428	301,659	-	355,958	378,107	402,979
Expenditure By Type										
Employee related costs	2	39,709	49,418	56,624	73,931	68,646	-	86,338	91,173	96,278
Remuneration of councillors		13,837	14,784	16,635	17,831	17,649		18,572	19,612	20,711
Debt impairment	3	36,036	12,689	14,656	8,387	8,387		39,520	42,050	44,741
Depreciation & asset impairment	2	18,049	4,922	85,732	5,870	5,870	-	10,199	10,199	11,459
Finance charges		403	93	10	120	120		170	170	192
Bulk purchases	2	45,860	42,513	29,503	47,295	47,295	-	40,295	40,295	45,618
Other materials	8	5,903	10,518	8,169	17,905	18,856		20,545	20,552	23,225
Contracted services		5,728	14,333	14,414	28,680	37,557	-	45,421	46,351	50,509
Transfers and grants		-	-	-	13,794	13,794	-	12,461	12,461	14,107
Other expenditure	4, 5	54,178	77,400	90,751	68,387	67,199	-	66,888	69,820	74,676
Loss on disposal of PPE										
Total Expenditure		219,703	226,671	316,494	282,199	285,374	-	340,409	352,682	381,516
Surplus/(Deficit)		(51,885)	(42,231)	(86,647)	14,229	16,285	-	15,549	25,425	21,462
Transfers recognised - capital		72,896	138,952	121,079	107,110	157,089		112,000	106,608	112,908
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions		21,011	96,721	34,431	121,339	173,375	-	127,549	132,033	134,370
Taxation										
Surplus/(Deficit) after taxation		21,011	96,721	34,431	121,339	173,375	-	127,549	132,033	134,370
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		21,011	96,721	34,431	121,339	173,375	-	127,549	132,033	134,370
Share of surplus/ (deficit) of associate	7									
Surplus/(Deficit) for the year		21,011	96,721	34,431	121,339	173,375	-	127,549	132,033	134,370

3. Operating expenditure

	2014/2015	2014/15	2015/2016	2016/2017	2017/2018
Expenditure	Final	Adjusted Budget	Draft	Draft	Draft
TOTAL EMPLOYEE/COUNCILLORS RELATED CO	89,872,082	86,295,109	104,909,869	110,784,822	116,988,772
SUB-TOTAL GENERAL EXPENSES DEPARTEMEN	90,339,894	82,696,870	118,572,289	120,158,642	133,247,987
SUB-TOTAL GEN EXPEND BULK PURCHASES	47,295,000	47,295,000	40,295,000	40,295,000	45,617,808
SUB-TOTAL GENERAL EXPEN - CONTR SERVICE	28,680,066	37,556,866	45,888,200	46,848,200	51,037,361
TOTAL REPAIR AND MAINTENANCE	17,904,570	18,556,345	20,545,464	20,551,864	23,225,390
TOTAL DEPRECIATION	5,869,972	5,869,972	10,198,690	10,198,690	11,459,381
TOTAL EXPENDITURE	279,961,584	285,373,548	340,409,512	348,837,218	381,576,699



According to Back to Basic Approach, Municipalities must be well governed and demonstrate good governance and administration - cut wastage, spend public funds prudently, hire competent staff, ensure transparency and accountability. The budget of 2015/16 has priorities activities that will address to good governance and improve stake holder consultations. The budget will also focus on capacitating the existing staff to meet required minimum competencies as required by Treasury Regulations.

3.1 Salaries and allowances

There are 68 new proposed posts such as Building Inspector and Traffic posts which will have impact on revenue collection on approval of building plans and penalties for those who do not comply with building regulations. The municipality is opening traffic department, which will be operational in July 2015 and it will require 4 positions. The other influencing factor on the increase in the budget is for posts which were frozen in previous, this includes staff in BTO amounting to 15, SCM is two, 11 ward cashiers, Accountant Rates and Credit Control Clerk. The occurrence of irregular expenditure demonstrate that the understaffing in SCM unit undermines compliance required by the SCM Regulations and policies. HR and Corporate needs 11 positions Executive and Council will require 6 positions including Office of

Speaker and MPAC, Infrastructure Development services require 8 positions while Other positions are for speeding up service delivery and are MIG funded. Community Development Services in total require 6 positions including the Traffic office positions. Local Economic Development needs 3 Positions to strengthen the revenue base and grow the local economy, as positions includes Building Inspector, Environmental Officer and GIS Specialist and other will just be horizontal movement.

The budget for salaries and allowances has grown to R104 million with 21% when compared with the adjusted budget was R86 million in 2014/15 financial year. Most of priorities posts were budgeted for 6 to 8 months in 2015/16, and now the posts are filled and will need to budgeted for full year. The cost of living increase has been projected at 5,8 % as per guidelines provided in Circular 74 of MFMA from National Treasury.

3.2 Bulk Purchases

The budget for bulk purchase was R47 million in 2014/15 financial year and now it is R40 million, this is as a result of City of Tshwane's inability to meet the water supply demand and their intention to stop supplying the water to the municipality. The R7 million will be utilised in developing the new water treatment plant for the municipality to be able to supply their own water.

3.3 Repairs and Maintenance

New imaginative ways must be explored to encourage more efficient use of resources and to generate the required funding for the maintenance, renewal and expansion of infrastructure to ensure effective service delivery. The budget is 7% of the total operating budget. This will includes, maintenance of high mast lights , an amount of water infrastructure and Roads and to the tune R 20.5 million. The guiding norm is 8% of the total operating budget.

3.4 Free basic services

Budget provisions has been set aside to assist communities the following social packages and are included in the budget for indigent households:

- 10 kl free basic water services at a cost of R 6,7-million
- 50kWh free basic services for electricity at a cost of R 5,2-million
- Free basic service on refuse removal services at R11,0-million
- Rebates on property tax at R 500 thousand

3.4 Contracted services and consulting services

- On water supply in Moretele is still a challenges, this forces the municipality to augment water supply by using water tankering in areas where there is no reticulation or boreholes. Currently municipality spent R1,1 million per month on cost of transporting the water. The total costs for 2015/16 is projected at the value of R14 million. The Department of DWA is funding the refurbishment on boreholes as a medium solution with an allocation of R10 million, and two 6ML of reservoir's are under contraction to add on storage, the project will be completed in the July 2015. R1,5 million has been set aside to deal with water demand and losses, service provider is appointed to fix all the leakages and replace the meters.
- The cleansing services will increase from R13 million to R17 million which will result in an increase of R4 million, this is for refuse removal services R14 million and emptying of septic tank of R3 million.
- Security services has grown from R10,2 million to R12 million ,the growth is guided by PSRIRA rates

3.4. Consulting Services

- Mechanisms of reducing reliance on consultants are in place, R1m has been budgeted for VAT review for previous financial years. Municipality is performing in-

house VAT return submission; the service provider will only work on the past years declarations.

- A budget of R900 thousands is made available for LED and Environment strategy
- Asset and financial statement compilation has a budget of R1.5 million for this budget year however R3,5 millions is budgeted in the 2014/15 budget year. The reason for external assistance is to deal with legacy issue, which were problematic during the 2013/14 audit and had effect on the audit outcome. The skill transfer programme is in place to ensure that reliance on consultant is mitigated.
- HR and Corporates Services has a budget of R 6 million for the IT and HR sub units for effective IT systems

3.5 General Expenditure

Special attention was be given not only to manage existing revenue and cash streams effectively but also to broaden the municipal revenue base to support the operating and capital needs of the municipality. Given the current constraints some very tough decisions in the course of considering the 2011/2012 budgets and Medium Term Revenue and Expenditure Framework (MTREF) were taken. It is important that the financial position of the municipality remains sustainable over the medium term facing the current constraints and therefore, special attention has been given to eliminating all unnecessary spending on nice-to-have items and non-essential activities.

3.5.1 Local Economic Development/Job Creation Programmes and Community Bursary Fund

Priority has being given to maximize job creation by ensuring that service delivery and capital projects use labour intensive methods wherever appropriate by:

- ✓ Ensuring that service providers use labour intensive approaches, community projects through Ikgopole Ka Bophepha, which has 280 people spread from all wards with stipend of R1,000 ordinary employees and R1,200 supervisors per month, with a total budget of R3,7 million. The uniform for the Ikgopole ka bophepha employees is also included in the R3.7 million.

- ✓ Implementing interns programmes to provide young people with on the-job training, two (2) interns in IT have been employed using own funding with a stipend of R5 thousand each and provision for five(5) interns in Budget are funded by FMG grant.
- ✓ An amount of R1million has been allocated to assist co-operatives to expand their farming projects and manufacturing such as Ngobi Bakery and Brick making project
- ✓ R500 thousand for SMME support
- ✓ R1,5 million for land use management for economic development
- ✓ R300 has been set aside for bursary to assist members of community to acquire relevant skills that will improve job opportunity within and outside Moretele

3.5.2 Public Participation Programmes

❖ Mayors outreach programme

Budget of R2,4 million is allocated for Mayor's outreach programme such as Rebona ka Mathlu and Tsetsepela to address service delivery challenges and monitoring and evaluation of projects in progress. The benefits on this programme is that the Executives are in contact with the community. The R2.4 million also includes R1 million of Imbizo's and it will enhance community participation. The budget has grown from R900 thousand to R2,4 million, as it includes the imbizo's budget of R1 million which were previously budgeted in the Speaker's Office. This will deal with compliance on public participation with community engagement. Council conducts this session per quarter to ensure that communication is done with community.

❖ Imbizo

An amount of R500,000 is provided in the budget to conduct small community meetings. The budget was R1,435 in 2014/15 financial year, as it included the quarterly imbizos which are now moved to Mayor's Outreach program. In addition to

that, council conducts monthly community meetings to provide progress on council programmes and projects.

❖ **Ward committee Programme**

R5,1million has been provided for ward committee stipend and training programmes at R150 thousand.

❖ **Maintenance of Call Centre**

The budget of R6,2 million has been provided for call centre, which is other mechanisms of opening communication with council. The customer care is incorporated into it. Queries of service delivery are registered on the centre.

❖ **Communication Programmes**

The budget of R600 thousand has been provided for communication programmes, this will includes buying community radio slots, printing of community news paper Kgatelopele which provide community with information and any business opportunity within council.

3.5.3 Institutional Capacity through Training and Bursary for further Education

The Mayor's special projects has a budget of R500 thousand, which it is intended for bursaries in the 2015/16 budget year. The budget is for 25 intake, of this 25: 15 is for continuation of previous years bursary intake and the municipality is planning to fund 10 new bursaries for 2015/16.

3.5.4 Community Programme

The listed programme are meant for community benefits, this includes the following:

3.5.4.1 Sports and Culture

The sports and arts programme with total budget of R1 million growing from R820 thousand in 2015/16 financial year. The budget is promote art and cultural programme and sports development of community.

3.5.4.2 Library programme

R350 thousand has put aside to fund all library programme.

3.5.4.3 Disaster Programmes

An amount of R250 thousand has been budgeted to address disaster assistance in times of need. The budget will be used to buy blankets and food in unforeseeable circumstances exist. The budget was R210 thousand in 2014/15, no growth is projected because this as and when required.

3.5.4.3 Social Development

Budget for social services Projects is R 236,416 and ikgopole ka bophepa will be removed as part of Social services. The budget is for social issues such as pension, disability forums.

3.5.4.3 Community and public Safety

There is an allocation of R350,000 for all the required capital assets such as erection of palisade fence and other issues for Traffic department.

3.6 Governance

3.6.1 Auditing and Risk Management

An amount of R260 thousand has been budgeted for MPAC for oversight programme, an amount of R500 thousand for Audit Committee and Risk Management and R3 million for external Audit. There is also an amount of R500 thousands for ICT audit.

3.6.2 Performance Management

An amount of R500 thousand is budgeted for cascading down performance management system to lower level.

3.6.3 IDP Review process

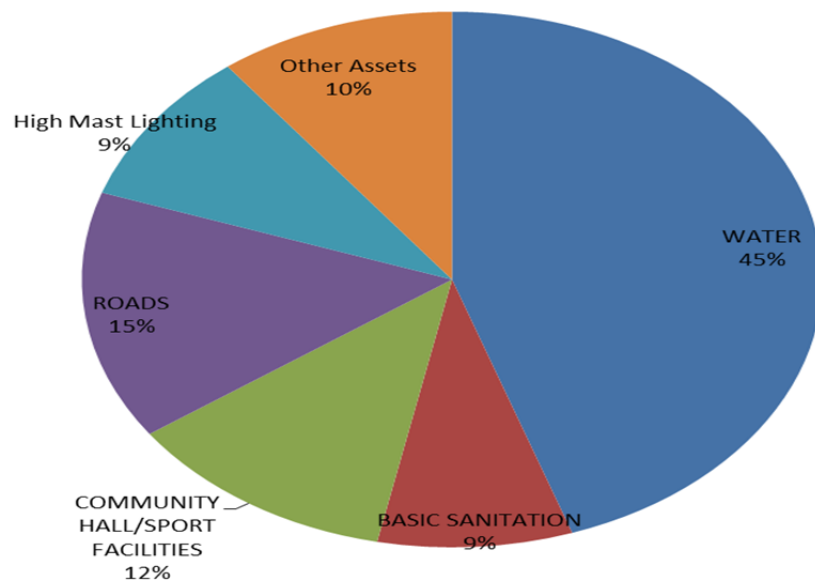
An amount of R600 thousand is budgeted for IDP review process and public participation. The budget was R450 thousand in 2014/15 financial year.

3.6.4 CAPITAL BUDGET

The total capital budget is R124 million includes allocation of R112 million from grants and R12 million from own funding.

Project Title	2015/16 OFFUNDING				Total Capital Budget 2015/16	Total planned expenditure on MIG for 2016/17	Total planned expenditure on MIG for 2017/18
	MIG	EPW	DWAF	Internal Funding			
WATER	R 44,335,565.85	R 3,353,000.00	R 10,178,000.00	R -	R 57,866,565.85	R 11,000,000.00	R 17,762,600.00
BASIC SANITATION	R 11,000,000.00	R -	R -	R -	R 11,000,000.00	R 15,500,000.00	R 13,500,000.00
COMMUNITY HALL/SPORT FACILITIES	R 15,485,287.60	R -	R -	R -	R 15,485,287.60	R 18,000,000.00	R 27,000,000.00
ROADS	R 19,462,946.55	R -	R -	R -	R 19,462,946.55	R 44,500,000.00	R 39,000,000.00
<i>High Mast Lighting</i>	R 7,000,000.00	R -	R -	R -	R 7,000,000.00	R 17,608,000.00	R 15,645,400.00
TOTAL INFRASTRUCTURE	97,283,800.00	3,353,000.00	10,178,000.00	-	110,814,800.00	106,608,000.00	112,908,000.00
Other Assets	R 1,200,000.00	R -	R -	R 12,200,000.00	R 13,400,000.00	R -	R -
TOTAL CAPITAL BUDGET	98,483,800.00	3,353,000.00	10,178,000.00	12,200,000.00	124,214,800.00	106,608,000.00	112,908,000.00

Total Capital Budget 2015/16



Prospective Funding from DBSA

There will be funding of R148 million to be received from DBSA, however the process is not finalized, the funding has been approved and after submission of the business plan there will be final agreement to be made, then there will be a need for budget adjustment. Below are the projects to be funded;

Project Title	2015/16 DBSA Funding
<i>WATER</i>	<i>R 12,200,000.00</i>
Upgrading of water reticulation & yard connection in ward7	R 12,200,000.00
<i>BASIC SANITATION</i>	<i>R 66,255,304.68</i>
Ward 15 Basic Sanitation	R 5,000,000.00
Ward 13 & 14 Basic sanitation	R 7,500,000.00
Ward 1 & 4 Basic Sanitation	R 9,000,000.00
Ward 7 Basic Sanitation	R 8,190,393.62
Ward 5 Basic Sanitation	R 9,344,820.82
Moeka, Vuma, Ratjiepane V, Savanna Basic Sanitatin	R 8,675,509.70
Mathibestad Basic Sanitation	R 9,344,580.54
ward 26 basic sanitation	R 9,200,000.00
<i>COMMUNITY HALL/SPORT FACILITIES</i>	<i>R 10,554,089.00</i>
construction of sports & recreational center ward 15	R 10,554,089.00
<i>ROADS</i>	<i>R 55,023,890.00</i>
Carousel View Internal Roads	R 12,146,000.00
Rehabilitation of internal roads and stormwater at ward 2	R 9,800,000.00
Rehabilitation of internal roads and stormwater at ward 3	R 13,000,000.00
road	R 7,286,890.00
road	R 12,791,000.00
<i>High Mast Lighting</i>	<i>R 4,800,000.00</i>
Installation of High Mast lights in ward 10	4,800,000.00
TOTAL INFRASTRUCTURE	148,833,283.68
TOTAL CAPITAL BUDGET	R 148,833,283.68

4.TARIFFS

Tariff structure is attached as Annexure B.

BUDGET RELATED POLICIES

The budget related policies listed below, have been reviewed:

Credit Control and debt management Policy

☐ Reviewed Draft Rates Policy

- ☐ Reviewed Draft Tariff Policy
- ☐ Reviewed Draft Indigent Policy

The other policies listed below have not being reviewed. Council will have workshop on policy review in April which will later be submitted to council for approval. This includes

- ☐ Banking and Investment Policy
- ☐ Fixed Assets Management Policy
- ☐ Reviewed draft Supply Chain Management Policy
- ☐ Budget Policy
- ☐ Reserve policy- new

5.1 Reviewed Credit Control and Debt collection Policy

The policy has being reviewed to accommodate recommendations submitted by Department of Co-operative and Traditional Affairs, after revenue related policies were requested. The other issues where identified during implementation of the policy, which are listed below. The affected paragraphs are reflected as follows:

PART 2 EXPECTED FUTURE PAYMENT LEVELS

Page 5 “Paragraph to be deleted

In terms of the budgets approved by the council, and in accordance with commonly accepted best practice, this municipality will have to strive to its utmost to ensure that payment levels for the present and future financial years, in respect of all amounts legitimately owing to the municipality – that is, inclusive of the balance of the monthly accounts payable by registered indigents – are maintained at an annual average of at least 95%. Even with payment levels of 95% it means that the council will annually have to provide on its expenses budget a contribution to bad debts of 5% of the aggregate revenues legitimately owing to this municipality – a contribution which is made at the direct cost of improved service delivery and developmental projects.

Replaced by Recommendation from COGTA

- ☐ To promulgate credit control and debt collection by-laws which deal stringently with defaulters, but at the same time – through the formal political structures of the municipality, and in the administration’s general dealings with the public
- ☐ to make the community aware of its legal obligations towards the municipality
- ☐ To emphasize the negative consequences for all of non-payment. The municipality’s ward committees are particularly charged with this responsibility.

“Page 6, listed paragraphs to be deleted”

- ☐ the charge(s) for the notice sent in terms of part 3 and for the reconnection or reinstatement of the terminated or restricted service(s), as determined by the council from time to time, have been paid in full;
- ☐ a cash deposit has been lodged with the municipal manager in compliance with part 11, such deposit to be newly determined on the basis of 12 kilolitres multiplied by applicable rate for the period.
- ☐ In the case of consumers using prepaid meters, but who have fallen into arrears with the remainder of their obligations to the municipality, no prepaid purchases shall be accepted until the outstanding arrears have been settled or an acceptable arrangement made for the payment of the arrear account, as contemplated above: such arrangement may entail the limitation of the amount of prepaid services which may be purchased until the arrears or a stated percentage of the arrears has been settled.

PART 6 ILLEGAL RECONNECTIONS

The municipal manager shall, as soon as it comes to the notice of the municipal manager that any terminated or restricted service has been irregularly reconnected or reinstated, report such action to the South African Police Service, disconnect or restrict such service(s), and not reconnect or reinstate such service(s) until the arrear account, including the interest raised on such account, the charges for the notice sent in terms of part 3 and the charges for both the original and subsequent reconnection or reinstatement of the service(s) and the revised deposit have been paid in full, together with such penalty as may be determined by the council from time to time. In addition, all metered consumption since the date of the illegal reconnection, or the estimated consumption if a reliable meter reading is not possible, shall also be paid in full before any reconnection or reinstatement is considered.

PART 8 SERVICES NOT RECONNECTED OR RE-INSTATED AFTER TWO WEEKS

If services have been terminated or restricted in the case of a property in respect of which the account is in arrear, and the accountholder has not paid such arrears, including the interest raised on such account, or made an acceptable arrangement with the municipal manager for the payment of the arrear account, including the interest raised on such account, within a period of twenty eight (28) calendar days after the date of termination or restriction of the service(s) concerned, the municipal manager shall forthwith hand such account over for collection and such further action as is deemed necessary to the municipality's attorneys or any debt collecting agency appointed by the council. Such further action shall include if necessary the sale in execution of such property to recover arrear property rates and service charges (if the accountholder is also the owner of the property). All legal expenses incurred by the municipality shall be for the account of the defaulting accountholder.

“Page 8 , Paragraphs to be deleted.”

PART 9 ARRANGEMENTS FOR PAYMENT OF ARREAR ACCOUNTS

9.1 ARRANGEMENTS FOR PAYMENT OF NORMAL CONSUMER ACCOUNTS

Allowing defaulting accountholders to make arrangements for the payment of arrear accounts shall be at the discretion of the municipal manager or delegated municipal official.

Each defaulting accountholder shall be allowed to make a payment arrangement maximum period of 3 (three) months within which to pay an arrear account, together with the interest raised on such account, and it shall be a condition for the conclusion of any arrangement that the accountholder is bound to pay every month. current municipal account in full and on time during the period over which such arrangement extends.

If an accountholder breaches any material term of an arrangement, the balance of the arrear account, together with the balance of interest raised on such account, shall immediately become due and payable to the municipality, and if the accountholder defaults on such payment, the municipal manager shall terminate or restrict water services to the property in question (if such services are provided by the municipality or its agent) and shall forthwith hand such account over for collection as envisaged in part 8.

“Page 9. New section added after COGTA’s recommendation”

PART 11 PAYMENTS OF DEPOSITS

Council shall not charge a service connection deposit under the tribal land households. Council will review the determination of connections deposit annually.

PART 12 ALLOCATIONS OF PART-PAYMENTS

If an accountholder pays only part of any municipal account due, the municipal manager shall allocate such payment with the following steps:

“Page, Paragraph to be deleted which is not applicable”

In the event of an accountholder’s defaulting on the payment of an arrear account, as contemplated in parts 6, 8 and 9, the municipal manager shall forthwith

appropriate as much of such deposit as is necessary to defray any costs incurred by the municipality and the arrear amount owing to the municipality in the same sequence that is applicable to the allocation of part payments, as contemplated above.

“Delete wording on this paragraph on page 10”

PART 14 INABILITY TO READ METERS

If the municipality is unable to read any meter on any property because the meter has been rendered inaccessible through any act or omission of the accountholder or owner of the property concerned, the municipal manager shall estimate the consumption of the service concerned by: determining the monthly average of the metered consumption recorded on the three most recent accounts in respect of which meter readings were obtained, and thereafter bill the accountholder for the monetary value of such estimated consumption plus a provisional surcharge of 10% of such value for the first month in which the metered reading could not be obtained, escalating to 20% in the second month, 30% in the third month, and so on by 10 percentage points for each subsequent month, until the meter is again rendered

percentage points for each subsequent month, until the meter is again rendered accessible. The accountholder shall be liable for the initial payment of such surcharge(s) as though the surcharge were part of the service charge concerned, but the municipal manager shall reverse such surcharge(s) against the first account for which a meter reading is again obtained.

- The Season Control Method will be used to establish the months that are to be used in determining the differences between winter and summer averages.
- If the month in which the levy is going to be raises = August and the consumption is normally in July, then August must be marked as a “winter” month. (= 2)
- It will use the last 12 (billed) normal readings, apply the season control and then add the consumptions together divided by the number of billing months involved.

Page 13, paragraph to be deleted.

PART 15 DISHONoured AND OTHER UNACCEPTABLE CHEQUES

If an accountholder tenders a cheque which is subsequently dishonoured by or is found to be unacceptable to the accountholder's bankers, the municipal manager shall – in addition to taking the steps contemplated in this policy against defaulting accountholders – charge such accountholder the penalty charge for unacceptable cheques, as determined by the council from time to time, and such charge shall rank equally with the costs and expenses incurred by the municipality for purposes of determining the sequence of allocations and appropriations contemplated in part 12.

“Amendment on page 15 on the paragraph below”

PART 19 INTEREST ON ARREARS AND OTHER PENALTY CHARGES

The due date for all municipal accounts is the 7th day of every month.

Interest shall be charged on all arrear accounts at a rate of 9% per annum ,

In considering each annual budget the council shall review the adequacy of its interest charges, and shall determine the following for the financial year concerned:

- ☐ charges for disconnection or restriction of services (part 3)
- ☐ charges for reconnection or reinstatement of services (part 4)
- ☐ charges for notices of default (part 3)
- ☐ penalty charges for illegal reconnections (part 6)
- ☐ penalty charges for dishonoured cheques (part 15).

Interest on arrears and other penalty charges

- ☐ Interest shall be calculated on a daily basis. For purposes of determining arrear amounts, all amounts unpaid including interest previously raised and penalty charges, but excluding value added tax, shall be taken into account.

“New section as per COGTA recommendations”

PART 24 EXPECTED FUTURE PAYMENT LEVELS

In terms of the budgets approved by the council, and in accordance with commonly accepted best practice, this municipality aims to strive to its utmost ability to ensure that payment levels for the present and future financial years, in respect of all amounts legitimately owing to the municipality – that is, inclusive of the balance of the monthly accounts payable by registered indigents – are maintained at an annual average of at least 20%.

It is generally accepted by this council that payment levels averaging below 20% per month are untenable, and are a certain forerunner of financial disaster for this municipality. Even with payment levels of 20% it means that the council will annually have to provide on its expenses budget a contribution to bad debts of 80% of the aggregate revenues legitimately owing to this municipality – a contribution that is made at the direct cost of improved service delivery and developmental projects.

The only solution to the ongoing problem of non-payment by residents who can afford their monthly commitments to the municipality is to introduce a twofold approach: to promulgate credit control and debt collection by-laws which deal stringently with defaulters, but at the same time – through the formal political structures of the municipality, and in the administration’s general dealings with the public – to make the community aware of its legal obligations towards the municipality, and to emphasise the negative consequences for all if non-payment continues. The municipality’s ward committees are particularly charged with this responsibility.

5.2 REVIEWED INDIGENT MANAGEMENT POLICY

Page 4

- ☐ A household whose combine gross monthly income of all members over 18 years of age must not exceed R3000.00 per month.

“Page 5, paragraph amended”

PART 3 APPLICATION OF THE POLICY

In respect of water, a 100% subsidy of the fixed availability charge and of metered consumption up to 12 kilolitres per household per month will apply; however, if consumption exceeds 12 kilolitres per metering period (month) the consumer will be charged at normal tariffs for actual consumption on the quantity exceeding 6 kilolitres. If unmetered water is provided, a 100% subsidy of the fixed availability charge will apply.

In respect of property rates, the rebate shall be 100% of the rates based on the rateable value up to R65 000 and 75% of the rates based on the rateable value above R65 000.

“Page 9, paragraph added on”

PROCESS MANAGEMENT

Validity Period

- ☐ The validity indigent register is to be linked to the term of council.
- ☐ State pensioners need not reapply as they automatically qualify by virtue of them being aged and their unchanging status
- ☐ Reapplication process to start in April of each year, to be conducted by means of verification by councillors to verify status change for all applicants other than pensioners.

5.3 Reviewed Rates Policy

“Page 7, paragraph amended”

5.3 Poverty alleviation

The effect of rates on the poor has been taken into account in terms of the municipality’s free basic services and indigent support policy. The first R65 000 of the value of all residential property according to the approval of valuation roll will be exempted from the payment of assessment rates.

“Page 9,paragraph amended”

The categories that are determined in line with section 8(1) of the MPRA, are:

CATEGORY

- agricultural
- businesses
- cemeteries
- churches
- educational
- government
- institutions
- public roads
- public spaces
- reservoirs
- residential
- vacant stands
- state land
- other (not known)

Page 11, amended on paragraph”

10.2 Exemptions

10.2.9 in addition to the first R65 000, 00 of exemption as per paragraph 5.3 of the policy a further rebate which will eventually be a total of 100% of levied residential rates for property owners over the age of 60 years or being the breadwinner and total dependent

10.2.10 in addition to the first R65 000,00 of exemption as per paragraph 5.3 of the policy a further rebate which will eventually be a total of 100% of levied residential rates for households where a direct family member is instituted as a mentally disabled patient subject to the following conditions:

10.2.11 all properties as specified by section 17(1) of the MPRA as follows:

- on the first 30% of the market value of public service infrastructure comprising of: water, sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants, or water pumps, forming part of a water scheme serving the public.
- on those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or of a national botanical garden within the meaning of the National Environmental Management Biodiversity Act, 2004, which are not developed or used for commercial business, or residential agricultural purposes;
- on mineral rights within the meaning of paragraph (b) of the definition of “property” in Section 1 of the MPRA;
- on a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary’s title was registered in the office of the Registrar of Deeds; on the first R65 000,00 of the market value of the property assigned in the valuation roll of a municipality to a category determined by the municipality:

“Page 14, additional paragraph”

PART 13 CONCLUSIONS

Rates constitute the primary source of revenue for the funding of those municipal services where the benefits is shared by the local community and does not accrue to any individual person or rates payer.

The preservation of ratings as the local tax base is a precondition for the autonomy of local government and it is for this reason that it is incumbent upon all rates payers to honour their obligation to their municipality.